

Message Text

SECRET

PAGE 01 KINGST 01453 01 OF 02 251619Z

45

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 063130

O 251535Z APR 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 4571

S E C R E T SECTION 1 OF 2 KINGSTON 1453/1

EXDIS; PASS TO OPIC

E.O. 11652: GDS

TAGS: PINT, EMIN, US, JM

SUBJ: BAUXITE NEGOTIATIONS SITREP 31: WEEK OF DECISION

REF: STATE 83254

1. SUMMARY: AFTER 4 DAYS AND NIGHTS OF NEGOTIATING, SOMETIMES ROUGH AND SOMETIMES SMOOTH, THE GOVT AND THE COMPANIES REMAIN FAR APART AND NEITHER SIDE HAS BUDGED SIGNIFICANTLY FROM THE POSITION IT HAD AT THE BEGINNING OF THIS WEEK'S TALKS. THERE HAVE BEEN A FEW SLIVERS OF LIGHT AND THE LEVEL OF COMMUNICATION BETWEEN THE PARTIES, AND ESPECIALLY BETWEEN THE PRINCIPAL NEGOTIATORS ON EACH SIDE, HAS IMPROVED STEADILY. HOWEVER THE BASIC INTRANSIGENCE OF BOTH SIDES COUPLED WITH THE GOVT'S DEADLINE OF APR 29 FOR A WRAP-UP OF THE REVENUE ISSUES APPEARS TO BE FORCING THE SITUATION SLOWLY TOWARDS A CONFRONTATION.

2. BAUXITE NEGOTIATIONS GOT UNDER WAY ONCE AGAIN ON SUNDAY EVENING WITH INDIVIDUAL PRELIMINARY MEETINGS BETWEEN GOVT NEGOTIATORS AND REPS OF ALCOA, REYNOLDS, AND KAISER. PURPOSE OF THESE MEETINGS TO GO OVER COMPANY FIGURES AND ALSO TO DISCUSS THE FORMAT FOR THE WEEK'S NEGOTIATIONS. IT WAS DECIDED TO BEGIN WITH A PLENARY SESSION MONDAY AFTERNOON AND THEN BREAK UP INTO A SERIES OF SUB-COMMITTEES FOR VARIOUS PURPOSES. COMPANY ECONOMISTS AND GOVT NEGOTIATORS WOULD MEET MONDAY AFTERNOON AND TUESDAY TO DISCUSS INDUSTRY PAPER DATED APR 19. THEREAFTER GOVT NEGOTIATORS WOULD MEET WITH INDIVIDUAL COMPANIES ON A SERIES OF SPECIAL PROBLEMS (REVERE TO REPORT ON ITS JAPANESE VENTURE, ANACONDA

SECRET

SECRET

PAGE 02 KINGST 01453 01 OF 02 251619Z

TO DISCUSS CLAYS, ETC.). SIMULTANEOUSLY INDUSTRY SUB-COMMITTEES

WOULD BEGIN A SERIES OF INTERNAL MEETINGS, WHICH, IN THE COURSE OF THE WEEK, WOULD EVOLVE INTO MEETINGS WITH OPPOSITE NUMBERS ON GOVT SIDE. THESE SUB-COMMITTEES NUMBER THREE AND WOULD UNDERTAKE (A) DRAFTING NEW TAX LEGISLATION WHICH WOULD BE COMPLETE EXCEPT FOR THE NUMBERS WHICH WOULD BE LEFT BLANK; (B) DRAFTING NEW CONTRACTS ALSO COMPLETE EXCEPT FOR NUMBERS; AND (C) DEVELOPING A FORMULA FOR DEALING WITH FOREIGN EXCHANGE PROBLEMS INCLUDING DRAFTING REQUIRED DOCUMENTATION (PROBABLY TRUST AGREEMENTS). SINCE NO PLENARY SESSIONS OR WORKING MEETINGS ON THE CORE REVENUE ISSUES WERE SCHEDULED AFTER TUESDAY IMPLICATION WAS THAT THERE WOULD BE MUCH BARGAINING BETWEEN PRINCIPALS IN THE CORRIDORS AND CLOAK ROOMS.

3. THE ABOVE PROGRAM HAS BEEN GENERALLY FOLLOWED. MONDAY PLENARY SESSION WAS SHORT AND SWEET. FIRST MEETINGS OF ECONOMISTS WITH GOVT NEGOTIATORS THAT FOLLOWED, HOWEVER, WAS A NEAR CATASTROPHE. GOVT ECONOMIST (MCINTYRE) LED A BLISTERING ATTACK ON INDUSTRY ECONOMISTS. AS ONE INDUSTRY REP PUT IT, MCINTYRE CONDUCTED AN ORAL EXAMINATION OF PECK (HEAD OF YALE ECONOMICS DEPT) ON BASIC AND MINERALS ECONOMICS AND GRADED HIM "C". IN A FRUITLESS EFFORT TO PROTECT THEIR ECONOMISTS INDUSTRY LAWYERS PRESENT KEPT LEAPING INTO THE DISCUSSION WHICH IN TURN ANGERED MATALON, WHO SAID HE UNDERSTOOD SESSION WAS SUPPOSED TO BE AN EXCHANGE BETWEEN TECHNICAL EXPERTS AND NOT A LEGAL DEBATE. CUTLER WALKED INTO THIS MELEE AND QUICKLY ASSESSING SITUATION BROUGHT IT TO A CLOSE. HE THEN HAD A CLOSED MEETING WITH MATALON IN WHICH HE TOOK HIM TO TASK FOR PERMITTING A SENIOR AND DISTINGUISHED ECONOMIST OF IMPECCABLE CREDENTIALS TO BE BADGERED IN THIS FASHION. MATALON RESPONDED WITH A FEW REMARKS ABOUT LAWYERS, BUT THE UPSHOT WAS THAT MCINTYRE TOOK PECK OUT FOR DRINKS MONDAY EVENING AND RELATIONSHIPS WERE RE-ESTABLISHED.

4. TUESDAY MORNING SESSION WENT MUCH MORE SMOOTHLY THOUGH GOVT WAS UNIMPRESSED BY THE DEFENSE OF THE INDUSTRY POSITION PRESENTED BY INDUSTRY ECONOMISTS. THEY WERE IMPRESSED, HOWEVER, BY AN EXPERT WITNESS PRESENTED BY ALCAN (RUNKEL, VICE PRESIDENT FOR INTERNATIONAL SALES). HE HAD BEEN FLOWING IN AT THE LAST MINUTE AND THERE HAD NOT BEEN TIME TO BRIEF HIM ADEQUATELY. INDEED HE DID NOT EVEN KNOW WHAT THE GOVT'S FORMULA AND DEMAND WAS WHEN HE TOOK THE FLOOR, (WHEN HE DISCOVERED HE NEARLY FAINTED). NEVERTHELESS, HE

SECRET

SECRET

PAGE 03 KINGST 01453 01 OF 02 251619Z

CONFIRMED IN GENERAL TERMS WHAT INDUSTRY ECONOMISTS HAD BEEN SAYING IN A CANDID AND CONVINCING MANNER. HE ALSO SUGGESTED STRONGLY THAT BASING REVENUE FORMULA ON AN INTERNATIONAL PRICE FOR ALUMINUM RATHER THAN THE US PRICE WAS UNREASONABLE SINCE THE US MARKET WAS THE LARGEST AND THE ONLY ONE IN WHICH JAMAICA COULD HOPE TO PLAY A SIGNIFICANT ROLE. THIS ARGUMENT SO IMPRESSED ROUSSEAU

SECRET

NNN

SECRET

PAGE 01 KINGST 01453 02 OF 02 251626Z

45

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 063186

O 251645Z APR 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 4572

S E C R E T SECTION 2 OF 2 KINGSTON 1453/2

EXDIS; PASS OPIC

AND MATALON THAT THEY ADJOURNED THE DAY'S SESSION TO STUDY ITS IMPLICATIONS.

5. A LENGTHY CLOSED DOOR SESSION BETWEEN MATALON AND ROUSSEAU ON THE ONE HAND AND CUTLER AND ROSE ON THE OTHER TOOK PLACE TUESDAY EVENING. WHILE THE MEETING WAS CORDIAL AND LED TO IMPROVED COMMUNICATIONS AND SOME INCREASED UNDERSTANDING OF THE OTHER SIDE'S POSITION, MATALON WAS ABSOLUTELY INFLEXIBLE IN HIS BASIC DEMAND OF EIGHT AND THREEQUARTERS PERCENT OF THE US INGOT PRICE, AND ALSO REPEATED THAT APRIL 29 WAS THE DEADLINE FOR ACHIEVING A SOLUTION.

6. NO FORMAL SESSIONS OTHER THAN SUB-COMMITTEE WORKING GROUPS HELD WEDNESDAY. CHARGE MET PRIVATELY WITH PRIME MINISTER MANLEY AND LATER WITH MEYER MATALON IN THE COURSE OF THE DAY. ALTHOUGH MEETING WITH PM HAD OTHER PURPOSES MANLEY RAISED BAUXITE NEGOTIATIONS AND CHARGE TOOK THE OPPORTUNITY TO CONVEY THE SUBSTANCE OF REFTEL. AN HOUR LATER HE READ PARAS TWO AND THREE OF REFTEL TO MATALON. BOTH PM AND MATALON COMMITTED THEMSELVES TO AN EXCHANGE OF VIEWS WITH THE DEPT AND THE SECRETARY BEFORE TAKING UNILATERAL ACTION IF THEY SHOULD CONCLUDE THAT NEGOTIATIONS WERE UNLIKELY TO PRODUCE RESULTS. PM SAID THAT HE MIGHT SEEK ANOTHER MEETING WITH THE SECRETARY IF HE MIGHT SEND MATALON FOR ANOTHER TALK WITH EAGLEBURGER. BOTH OF THEM MADE CLEAR THAT UNILATERAL ACTION ON THE PART OF THE GOJ WAS A REAL POSSIBILITY UNLESS A SOLUTION ON REVENUES WAS ACHIEVED THIS WEEK, AND THAT THEIR COMMITMENT WAS NO REPEAT NOT TO AVOID UNILATERAL ACTION, BUT ONLY TO CONSULT WITH US BEFORE TAKING IT.

SECRET

SECRET

PAGE 02 KINGST 01453 02 OF 02 251626Z

7. CONVERSATION WITH MATALON CONFIRMED HIS WILLINGNESS TO LOOK AT A FORMULA BASED ON US PRICE, AND ALSO HIS DEDICATION TO HIS PERCENTAGE FIGURE AND TO THE APR 29 DEADLINE. HE ALSO INDICATED SOME INTEREST IN A FORMULA WHICH INCLUDES COMMITMENTS TO INCREASE PRODUCTION. CHARGE RELAYED THIS INFORMATION TO CUTLER.

8. TUESDAY EVENING'S CLOSED MEETING WAS REPEATED WEDNESDAY EVENING. LEVELS OF COMMUNICATION CONTINUED TO IMPROVE BUT WITHOUT ANY CHANGE IN BASIC POSITIONS. HOWEVER MATALON CALLED CHARGE THURSDAY MORNING, REPORTED ON THE PREVIOUS EVENING'S MEETING WHICH HE CITED AS ENCOURAGING, AND ASKED IF CHARGE COULD LOCATE CUTLER AND ARRANGE A ONE-ON-ONE SESSION BETWEEN HIM AND CUTLER AT HIS RESIDENCE THIS MORNING. THIS MEETING IS NOW IN PROGRESS.

9. COMMENT: A BREAK IN THE NEGOTIATING POSTURES OF ONE OR BOTH SIDES, OR ELSE A BREAK UP OF THE NEGOTIATIONS, CAN BE EXPECTED WITHIN THE NEXT 72 HOURS. AT THIS POINT IT IS DIFFICULT TO SEE WHICH IT WILL BE. THE UNWILLINGNESS OF EITHER SIDE TO MODIFY ITS POSITION SIGNIFICANTLY IS DISTURBING. ON THE OTHER HAND THE TONE AND LEVEL OF COMMUNICATION HAS IMPROVED GREATLY IN THE COURSE OF THE WEEK AND THIS SHOULD YIELD SOME BENEFITS. INTERNAL DIVISION AND DISTRUST WITHIN THE INDUSTRY CONTINUES TO BE A MAJOR OBSTACLE TO CONDUCTING A SUCCESSFUL NEGOTIATION. THE TENDANCY OF GOVT NEGOTIATORS TO ENGAGE IN UNSTINTED BARRACKING OF THEIR OPPONENTS IS ALSO A DISTURBING FACTOR. ON THE OTHER HAND, THERE REMAINS A CONSIDERABLE RESERVOIR OF GOOD WILL ON BOTH SIDES.
HEWITT

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BAUXITE, MINING INDUSTRY, NEGOTIATIONS, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 APR 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KINGST01453
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740098-0049
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740415/aaaaamug.tel
Line Count: 201
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: STATE 83254
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by kelleyw0>; APPROVED <05 FEB 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BAUXITE NEGOTIATIONS SITREP 31: WEEK OF DECISION
TAGS: PINT, EMIN, US, JM
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005